



The National Textile and Apparel Team of the U.S. Department of Commerce, U.S. Commercial Service, supports the U.S. textile and apparel industries export initiatives by offering a portfolio of international trade and counseling services.

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www.export.gov

The Foreign Commercial Service of the United States Mission to the European Union makes every effort to assist US businesses to enter the EU market. The following addresses questions frequently asked by US companies importing textile products and garments in the EU. For additional information contact a National Textile Apparel Team Member.

What kind of quotas does the EU impose on textile imports?

Quotas currently apply to imports of textile and clothing products from the following WTO Members: Argentina, Brazil, China, Hong Kong, Macao, South Korea, Singapore, India, Pakistan, Thailand, Indonesia, Malaysia, Peru and The Philippines. The EU allows imports, but has established a surveillance mechanism, from the following countries: Azerbaijan, Bangladesh, Cambodia, Estonia, FYROM, Kazakhstan, Kyrgyzstan, Laos, Latvia, Lithuania, Moldova, Mongolia, Nepal, Russia, Tajikistan, Turkmenistan and the United Arab Emirates. However, quotas are being eliminated on a country-by-country basis in preparation for the implementation of the Agreement on Textiles and Clothing under the WTO (see below). Sri Lanka, Ukraine, and China are three countries that have benefited recently from increased market access to the EU.

Agreement on Textiles and Clothing (ATC)

Within the World Trade Organization (WTO), the Agreement on Textiles and Clothing (ATC) provides for the phased application of all the GATT rules to the sector by December 31, 2004 at the latest. This means that by 2005 all the import quotas that were set up under the Multi Fibres Agreements (MFA) will be removed, and the EU market will be totally open. For more specific information, please refer to the following website:

<http://www.europa.eu.int/comm/trade/pdf/tlm.pdf>

What tariffs are applied to textile exports to the EU?

The EU applies average textiles tariffs of 9%. By comparison, countries such as Argentina, Brazil, Pakistan or Thailand apply tariffs of between 20% and 25%. For India, the rate is 39%. To access a searchable database containing all applicable tariffs log on to:

http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarchap?Lang=EN

Where can I find relevant information and legislation?

1. Import regulations and customs

Regulation 3030/93 (see <http://europa.eu.int/comm/trade/pdf/legtexta.pdf>) is the basic legislation regulating imports of textiles into the EU and contains country-specific information. Companies should be aware that the Regulation and its annexes have been amended 79 times since 1993, so in order to obtain updated annexes they should contact the Commercial Service. Regulation 2913/92 (Community Customs Code) is the basic legislation governing imports and customs for the entire European Union. Regulation 2454/93 (Implementation of the Customs Code): Companies will find in annex 10 of this Regulation important information on country of origin rules for textiles.

2. Relevant websites

European Commission Textile website: http://www.europa.eu.int/comm/trade/goods/textile/index_en.htm. Companies may consult this website for more information on the EU's textile policy, import quotas etc.

European Commission's SIGL database (specialized in textiles): <http://sigl.cec.eu.int/query.html>. This database contains detailed information on percentages of quotas which have been used up, by country and product. For information on how much of the quota has been used up at any given moment, and a full description of textile product categories: <http://sigl.cec.eu.int/information.html>.

US Department of Commerce Office of Textiles and Apparel: <http://otexa.ita.doc.gov/exports/default.stm> for exporter-oriented information on EU textile legislation.

EXPORT CREDIT INSURANCE- WHAT'S NEW

By: Bill Dunn, Export Financial Services

New uses of credit insurance have begun to replace the traditional purpose of risk mitigation. Credit managers have looked upon insurance sometimes as a last resort means of covering the risk of payment for their company's export sales. Government programs offered through the Export-Import Bank of the United States and supplemented by numerous state sponsored facilities have in the past been the sole source of credit insurance. Government policy, a domestic sales focus and corporate practices have sustained the narrow application of a product not commonly used in the United States.

The now active participation of private underwriters, competition from foreign companies offering open account sales terms and the increasing global outlook of U.S. companies have expanded the range of uses for an overlooked product, as follows:

1. **Expanded Sales-** Sales managers have increasingly found themselves non-competitive if they demand cash-in-advance payment terms or letters of credit from their buyers' banks. Their competitors are offering open account terms up to 180 days. A U.S. export sales manager can now access private and government credit insurance to protect their company and relieve the buyer of the need to consume their local bank credit facilities. Smart sellers will frequently build in a small additional fee to cover the premium costs plus a margin to cover the acquisition of the insurance. The U.S. company can now compete and expand its sales while protecting significant Accounts Receivable assets.

2. Financing Opportunities- Corporate Treasurers are also recognizing the advantages of an insurance policy issued by an entity with a high public debt rating. They can use the assignment of proceeds feature of a policy to structure a financing that increases the company's domestic borrowing base or as a new source of short term funds secured by the insured Accounts Receivable. (Note: Some Treasurers are seeing a value in lower borrowing costs by expanding the insurance coverage to domestic A/R.)

Credit insurance policies are a conditional and contractual transfer of risk to a third party. Just like property and casualty coverage on hard assets, insurance is not the primary source of payment. Only the occurrence of an accident results in a claim for payment under a policy. They cannot make a bad credit good. However, the flexibility of structure now available through the private market and the continued availability of government sponsored programs along with the new needs of companies have brought about creative new uses for the traditional credit insurance product.

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Trade Updates:

HOW NAFTA CAN WORK FOR YOU

(From February, 2003 Issue of "International Business News"-Little Rock)

www.nafta-customs.org

The North American Free Trade Agreement (NAFTA) provides important benefits for U.S. goods that are exported to our NAFTA partners, Canada and Mexico. If your product has sufficient North American content to qualify for NAFTA preference, your exports could be subject to a lower duty rate than non-NAFTA goods. A lower rate makes your product available at a lower price than your competitors' non-NAFTA goods, without sacrificing your profit margin.

Goods with sufficient North American content to qualify for NAFTA preferential duty rates are said to "originate" in NAFTA countries. Even if a product is produced or purchased in a NAFTA country, it might not be eligible for preferential tariff treatment because of non-NAFTA inputs in its production. Exporters must therefore analyze the composition of their products. Substantial transformation of non-NAFTA inputs usually must take place to qualify an end product under NAFTA.

If your product contains absolutely no non-NAFTA raw materials, inputs, parts, ingredients, or components, it would be considered NAFTA-originating. You may proceed directly to filling out the NAFTA Certificate of Origin, which is the customs document that claims the tariff preference.

For goods containing non-NAFTA inputs or components, exporters must analyze the product-specific Rules of Origin, in Annex 401, Chapter 4 of the NAFTA. Note that your product also meets the NAFTA test if it is made entirely with components or inputs that have already been determined to qualify as NAFTA-originating in accordance with the Rules of Origin. You must always have adequate records relating to your product's inputs, materials, and production to claim NAFTA tariff preference.

FTAA-CHILE UPDATE

(From the January 2003 Issue of "International Business News")

On December 11, the United States and Chile reached agreement on a historic and comprehensive Free Trade Agreement (FTA) designed to strip away barriers and facilitate trade and investment between both countries. The Agreement will be submitted to Congress for approval next year. The Agreement is designed to cut tariffs and open markets for American workers, farmers, investors and consumers. It also reduces barriers for services, protects leading-edge intellectual property, keeps pace with new technologies, ensures regulatory transparency and provides effective labor and environmental enforcement. More information can be found at the FTAA official website at www.alca-ftaa.org or at the Office of the U.S. Trade Representatives website at www.ustr.gov.

Carnets Now Available On-Line

The Carnet allows for temporary duty free customs clearance of commercial samples, professional equipment, and items for exhibitions and fairs into more than 75 countries around the world. Carnets eliminate the payment of VAT and duties, can be used for unlimited trips for a period of up to one year, and act as a U.S. Customs registration.

Carnets are now available online. Online Carnet applications make it possible for a 24-hour turnaround without an expedited service fee. Simply log on to <http://www.uscib.org/>, click in the Apply Online section of ATA Carnet Export Service and begin. For additional information, contact Maria Rea of Carnet HQ at the U.S. Council for International Business at 212-703-5087.

Office of Textiles and Apparel (OTEXA)

Market Expansion Division

Tel. 202.482.5153

OTEXA sponsors a number of trade shows, missions, and events each year. Some of the annual events include the Decosit Contract Fabric Show in Brussels, Heimtextil in Frankfurt, and Japantex in Tokyo. In the past OTEXA has sponsored trade missions to Central America, Mexico, China, and Turkey. These events are listed on the *Export Advantage* web site and are open to exporters of U.S.-made textile products. Other major textile and apparel trade shows are listed by product and by country. Contact information for each product group is provided. Export Advantage (<http://otexa.ita.doc.gov>)

What is Export Advantage? *Export Advantage* is a "one-stop" information resource for exporting U.S.-made textile and apparel products. U.S. exporters can research overseas market potential, find information on shipping requirements and procedures, identify overseas buyers, obtain basic how-to-export information, locate government and industry contacts.

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